

# Highway User Revenue Fund

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## Fiscal Year 2003 Year- End Report



ARIZONA DEPARTMENT OF TRANSPORTATION  
FINANCIAL MANAGEMENT SERVICES  
OFFICE OF FINANCIAL PLANNING  
AUGUST 2003

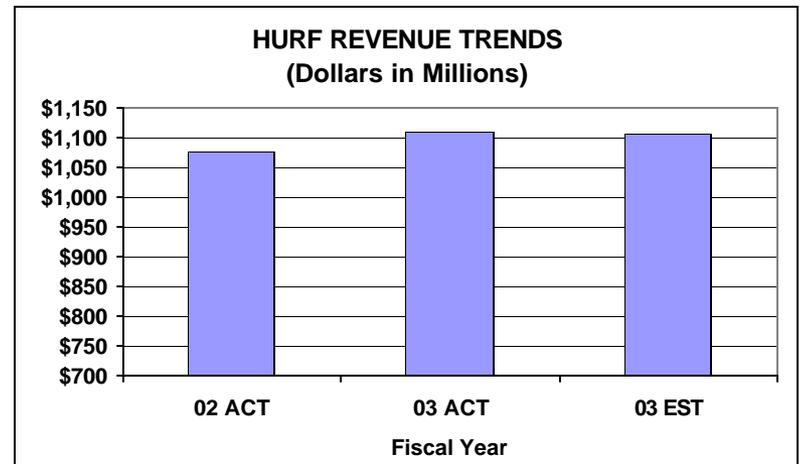
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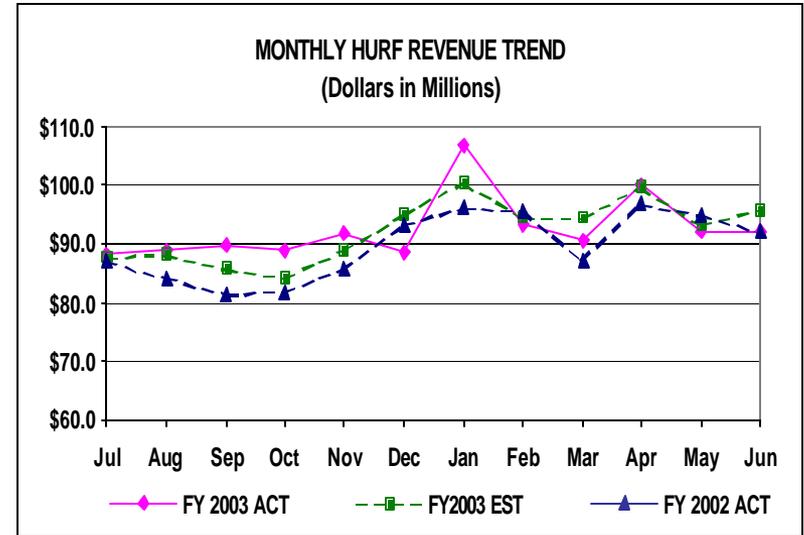
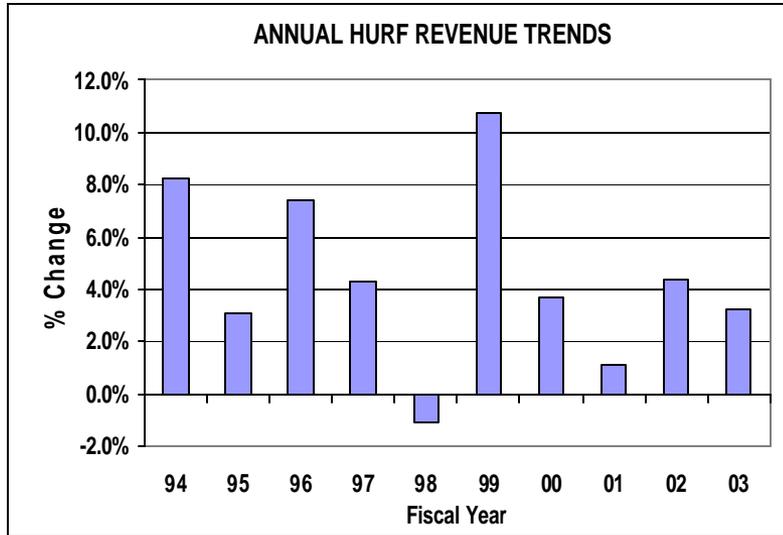
# Highway User Revenue Fund Executive Summary

The State of Arizona taxes motor fuels and collects fees relating to the registration and operation of motor vehicles, including gasoline and use fuel taxes, motor carrier fees, motor vehicle registration fees, vehicle license taxes (VLT), and other miscellaneous fees. Revenues are deposited in the Arizona Highway User Revenue Fund (HURF) and are then distributed to the cities, towns and counties and to the State Highway Fund. These taxes and fees are a major source of revenue to the state for highway construction, improvements and other related expenditures.

FY 2003 HURF collections posted a positive gain and met expectations even though the state and national economies were sluggish. HURF collections totaled \$1,111.3 million, an increase of 3.2 percent above FY 2002 and 0.3 percent above the estimate. Except for the “other fees” revenue category, all major revenue categories posted gains over FY 2002 revenue levels. The major contributors to the growth in FY 2003 HURF revenues were the gas tax, VLT, use fuel tax, and commercial registration fees revenue categories.



# Revenue Trend Analysis



The annual HURF revenue trend continues to be positive. Over the last ten years, HURF collections have posted year-over-year growth in every year except FY 1998. In spite of an estimated \$7.3 million VLT reduction and registration fees refunds, HURF revenues for FY 2003 grew at 3.2 percent. The reductions were a result of legislation and will be discussed later in the report.

FY 2003 HURF revenue growth was strong for the first half of the year but slowed during the second half of the year. The fluctuation in December and January collections was due to a fuel supplier making a December 2002 payment in January 2003. Overall, FY 2003 HURF revenues came in as expected at 0.3 percent above estimate.

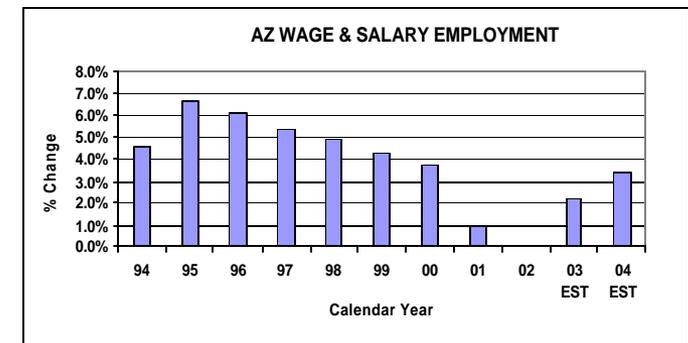
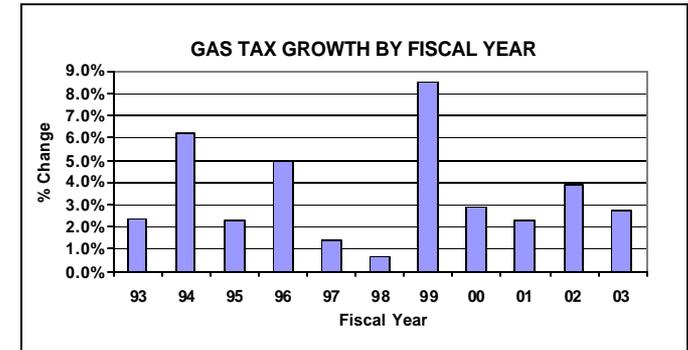
# Performance By Category

## Gas Tax:

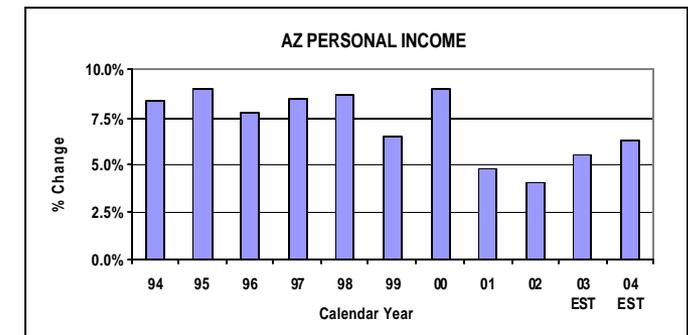
FY 2003 gas tax collections totaled \$446.9 million, an increase of 2.8 percent above FY 2002 but 0.2 percent below the estimate. Being the largest component of HURF revenues, it contributed 40.2 percent to the total HURF collections. The gas tax growth rate slowed from 3.9 percent in FY 2002 to 2.8 percent in FY 2003. A slower rate of growth in Arizona's population and the sluggish economy impacted the gas tax consumption growth in FY 2003.

The Arizona Blue Chip economists expect the Arizona's economy to improve in CY 2003 and CY 2004. The June 2003 Arizona Blue Chip Forecast reports the wage and salary employment growth rate decreased to 0.0 percent in CY 2002 from 1.0 percent in CY 2001. However, in CY 2003 and CY 2004 the consensus panel estimates are for 2.2 and 3.4 percent growth, respectively.

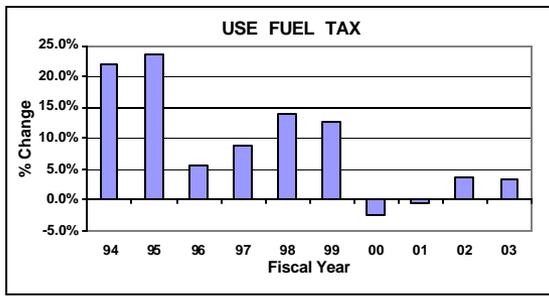
Also, the June 2003 Arizona Blue Chip reports the growth rate for Arizona personal income was 4.0 percent in CY 2002 compared to 4.8 percent in CY 2001. The estimates for Arizona personal income growth for CY 2003 and CY 2004 are 5.5 and 6.3 percent, respectively.



Source: Arizona Blue Chip Forecast, 6/03

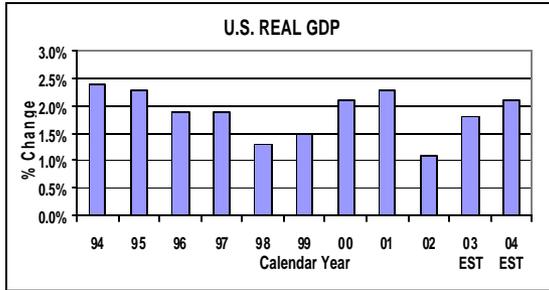


Source: Arizona Blue Chip Forecast, 6/03



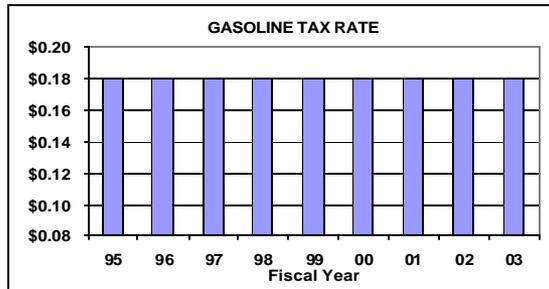
## USE FUEL TAX:

In FY 2003, use fuel tax collections totaled \$166.7 million, an increase of 3.2 percent from FY 2002 and 0.2 percent above the estimate. Even with the sluggish economy and higher fuel costs, use fuel tax collections posted modest growth in FY 2003. The trucking industry continues to achieve a higher level of market share for goods movement than does the rail industry leading to continued growth in the use fuel tax collections.



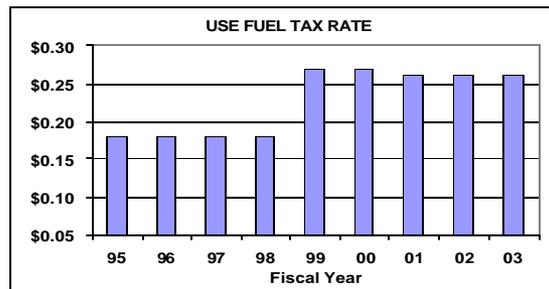
According to the Arizona Blue Chip economists, business activities in Arizona are expected to grow in CY 2003 and CY 2004. A good indicator for business activities is the gross domestic product (GDP). The June 2003 issue of the Arizona Blue Chip Forecast reports the U. S. GDP for CY 2002 grew by 1.1 percent compared to 2.3 percent in CY 2001. For CY 2003 and CY 2004, the Arizona Blue Chip consensus panel estimates that the U.S. real GDP will grow at 1.8 and 2.1 percent, respectively.

Source: Arizona Blue Chip Forecast, 6/03



## GASOLINE TAX RATE:

The gasoline tax rate chart on the left shows the state gasoline gas tax of \$0.18 per gallon. The last gasoline tax rate increase was \$0.01 in FY 91.

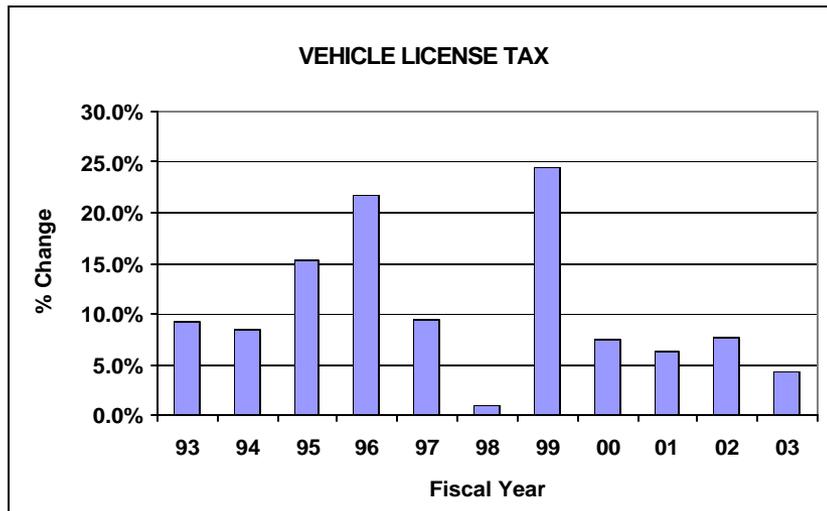
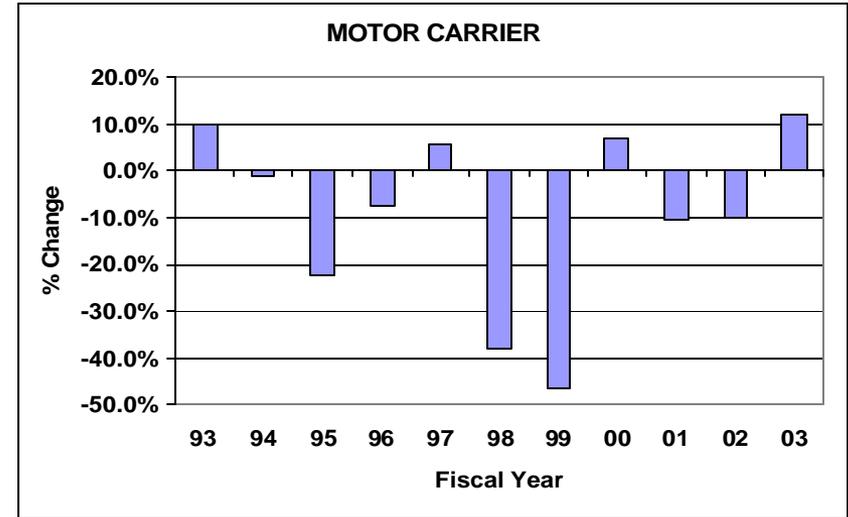


## USE FUEL TAX RATE

Presently, the state use fuel tax rate is \$0.26. The large increase in FY 1999 includes a \$0.09 per gallon tax increase imposed on use fuel consumed by “use class” vehicles per Laws 1997, Chapter 8. This increase replaced the \$0.08 per gallon surcharge on use fuel from January 1, 1994 through September 30, 1997, which is not reflected in this chart. As of July 1, 2000, the use fuel tax rate was reduced from \$0.27 to \$0.26 per gallon as part of the 1997 legislation. The use fuel tax rate chart shows the use fuel tax rate per gallon at the beginning of each fiscal year.

## MOTOR CARRIER FEE:

For FY 2003, motor carrier fee revenues totaled \$32.9 million, an increase of 12.0 percent from FY 2002 and 3.3 percent above the estimate. The large increase in motor carrier collections was due to a lower base year being used for comparison. In FY 2002, there was a one-time weight distance fee refund of \$3 million that significantly lowered motor carrier revenues. By adding back the motor carrier refunds in FY 2002, actual growth in FY 2003 was only 1.2 percent.



## VEHICLE LICENSE TAX:

Vehicle license tax (VLT) revenues in FY 2003 totaled \$282.0 million, an increase of 4.2 percent over FY 2002 and 0.3 percent above the estimate. The rate of growth in VLT revenues slowed from 7.6 percent in FY 2002 to 4.2 percent in FY 2003. This lower VLT growth in FY 2003 was mainly due to an estimated \$5.0 million reduction from the registration plate and fee to owner per Laws 2000, Chapter 198 and the \$1.9 million in refunds for older commercial trailers that were permanently registered in FY 2002 per Laws 2002, Chapter 221.

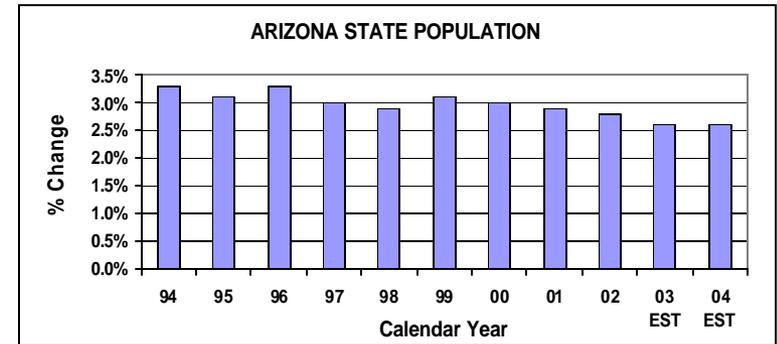
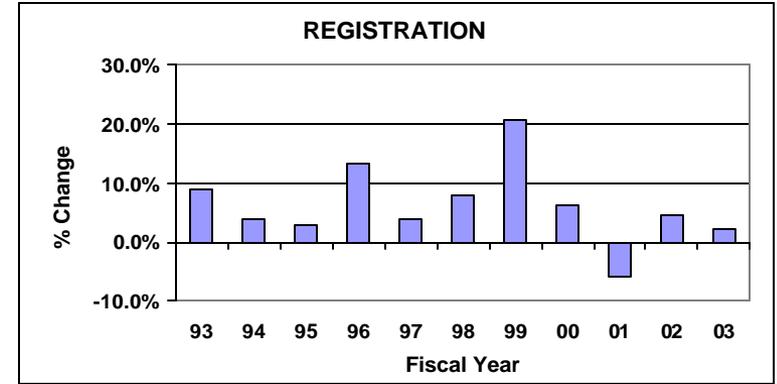
## REGISTRATION:

Registration collections in FY 2003 totaled \$141.3 million, an increase of 2.3 percent above FY 2002 and 2.5 percent over the estimate. This increase in registration revenues was due to the increase in apportioned fees and registration permits and penalties collections. However, this increase was offset by a decrease in county registration collections and a \$0.4 million refund of partial registration fees to older permanent commercial trailers per Laws 2002, Chapter 221. The increase in apportioned fee revenues was due mainly to the timing of other states remitting monies to Arizona for the previous fiscal year.

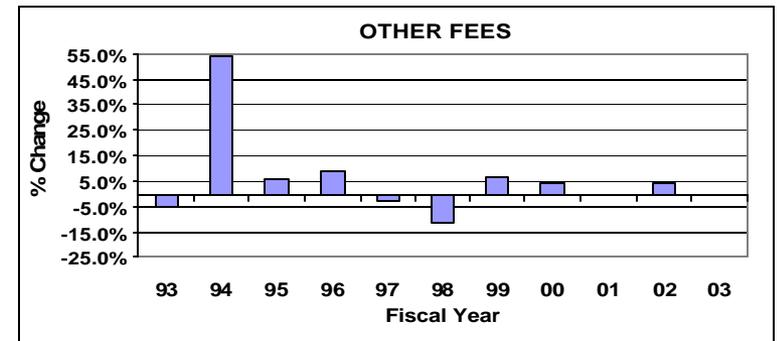
In the June 2003 issue of the Arizona Blue Chip Forecast, Arizona's population grew to 5.5 million in CY 2002, an increase of 2.8 percent from CY 2001. CY 2002 population growth was the slowest over the CY 1994 to 2002 period. It is projected that the Arizona's population growth will continue to slow to 2.6 percent for both CY 2003 and 2004, which could result in continued low growth rates in county registration revenues.

## OTHER FEES:

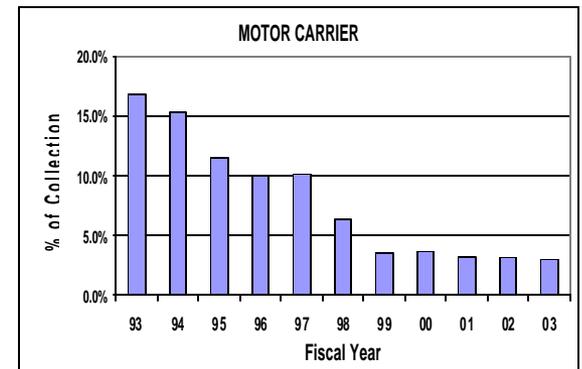
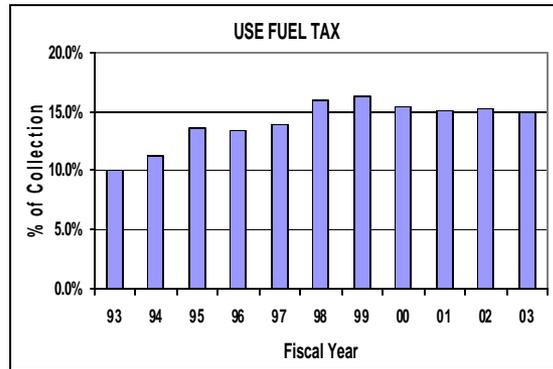
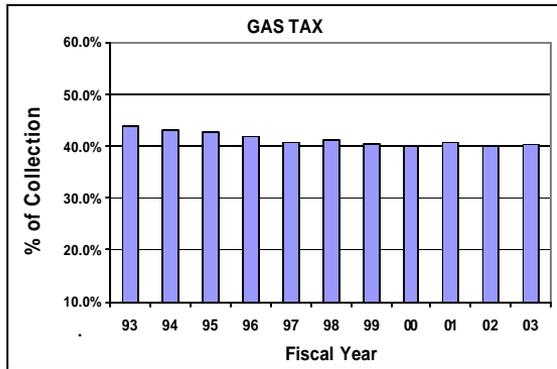
In FY 2003, the "other fees" revenues totaled \$41.5 million, a decrease of 0.9 percent below the FY 2002 and 2.6 percent below the estimate. The other fees revenue growth was lower in FY 2003 due to increases in credit card reimbursement payments and Motor Vehicle Division third party contractors payments along with decreases in use fuel permits and penalties and lower investment interest income.



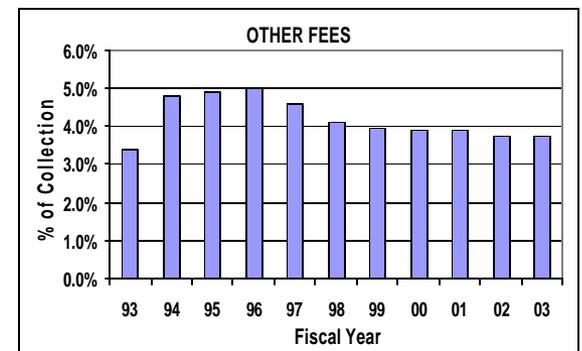
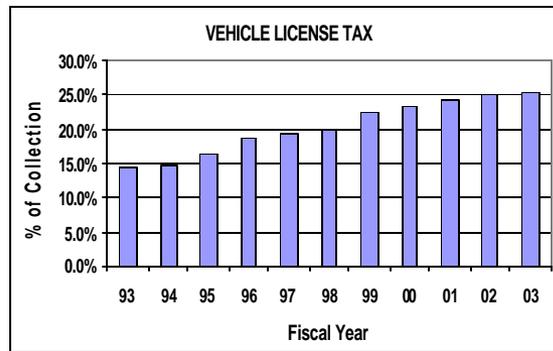
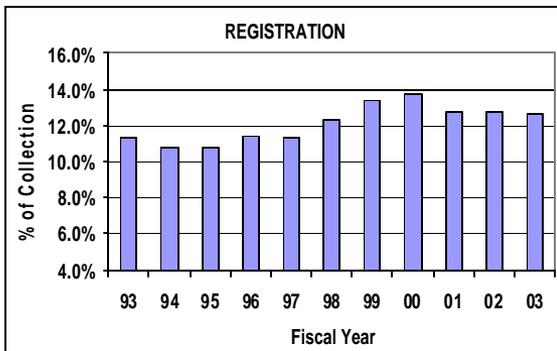
Source: Arizona Blue Chip Forecast, 6/03



# Revenue Composition Comparison



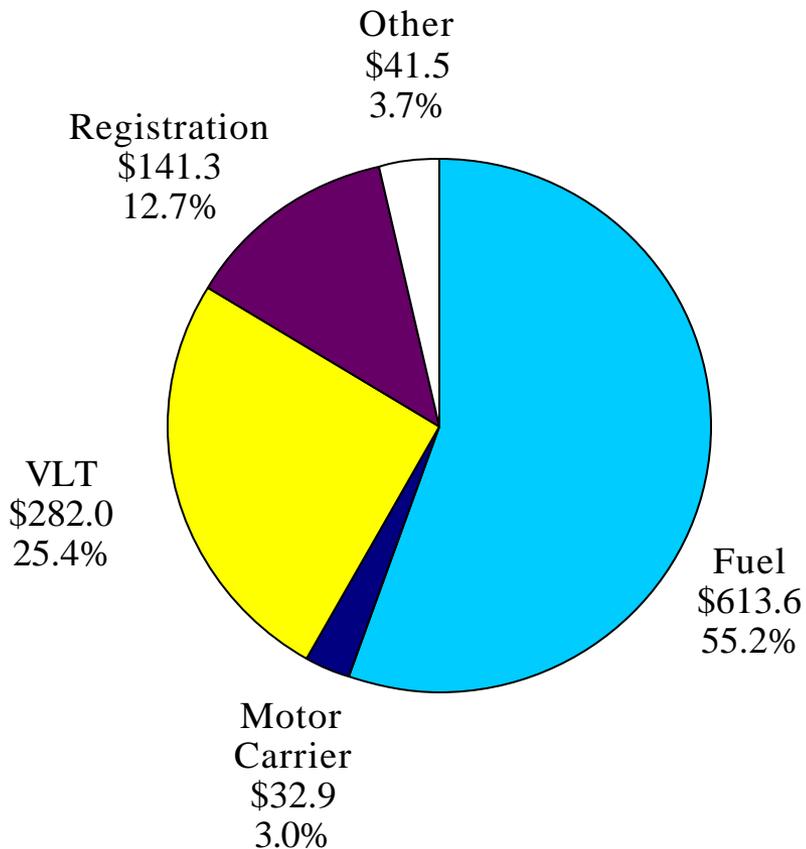
Except for the “other fees” revenue category, all other HURF revenue categories posted year-over-year growth in FY 2003. HURF revenue growth would have been greater if not for registration plate and fees to owner VLT loss and the refunds for older commercial trailers that were permanently registered in FY 2002 as noted in the VLT and Registration sections.



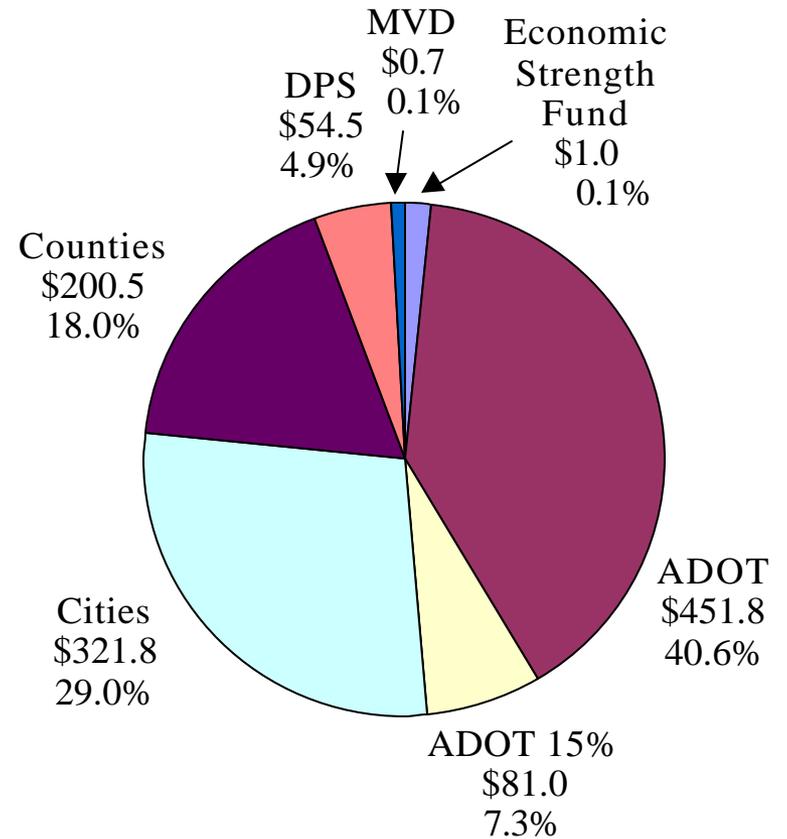
# ARIZONA HIGHWAY USER REVENUE FUND SOURCES AND DISTRIBUTION OF FUNDS FY 2003

**TOTAL: \$1,111.3 MILLION**

## SOURCES



## DISTRIBUTION



NOTE: ADOT 15% represents ADOT's allocation of HURF for MAG and PAG regional projects.

# Arizona Highway User Revenue Fund Revenue Comparison Statement

CATEGORY	FY 2002 ACTUAL	FY 2003 ACTUAL	CHANGE	FY 2003 ESTIMATE	CHANGE
<b>GAS TAX</b>	\$434,817,721	\$446,890,929	2.8%	\$447,900,000	-0.2%
<b>USE FUEL TAX</b>	161,507,309	166,744,147	3.2%	166,400,000	0.2%
<b>SUBTOTAL</b>	596,325,030	613,635,075	2.9%	614,300,000	-0.1%
<b>MOTOR CARRIER</b>	29,346,709	32,856,325	12.0%	31,800,000	3.3%
<b>VEHICLE LICENSE TAX</b>	270,640,770	281,946,636	4.2%	281,100,000	0.3%
<b>COUNTY REGISTRATION</b>	66,895,811	65,477,153	-2.1%	65,904,718	-0.6%
<b>APPORTIONED</b>	60,402,384	62,905,766	4.1%	60,752,090	3.5%
<b>MISC. REGISTRATION</b>	10,911,367	12,944,523	18.6%	11,243,192	15.1%
<b>SUBTOTAL</b>	138,209,562	141,327,442	2.3%	137,900,000	2.5%
<b>TITLE FEES</b>	6,984,740	7,377,605	5.6%	7,250,040	1.8%
<b>OPERATOR LICENSES</b>	14,712,051	14,507,205	-1.4%	15,809,977	-8.2%
<b>OVERSIZE PERMITS</b>	5,045,335	5,113,344	1.3%	4,801,042	6.5%
<b>INQUIRY FEES</b>	8,270,565	9,652,553	16.7%	9,015,217	7.1%
<b>STATION FUEL FEES</b>	2,202,076	1,306,366	-40.7%	1,664,209	-21.5%
<b>INVESTMENT INTEREST</b>	1,899,428	1,223,454	-35.6%	1,900,000	-35.6%
<b>MISCELLANEOUS FEES</b>	2,758,450	2,309,785	-16.3%	2,159,515	7.0%
<b>SUBTOTAL</b>	41,872,645	41,490,312	-0.9%	42,600,000	-2.6%
<b>TOTAL</b>	\$1,076,394,716	\$1,111,255,790	3.2%	\$1,107,700,000	0.3%

Details may not add to the total due to individual rounding.

# Arizona Highway User Revenue Fund

## Revenue Collections By Category

(Dollars In Thousands)

### FY 1993- 2003

Fiscal Year	Vehicle						Total /1
	Gas Tax	Use Fuel Tax	Motor Carrier	License Tax	Registration	Other	
1993	\$315,227	\$72,008	\$120,303	\$105,027	\$80,717	\$24,161	\$717,443
1994	334,643	87,913	118,530	113,990	83,826	37,161	776,063
1995	342,299	108,790	92,103	131,562	86,159	39,238	800,152
1996	358,961	114,780	85,433	160,145	97,601	42,654	859,575
1997	363,953	124,748	90,186	175,253	101,528	41,294	896,962
1998	366,377	142,167	63,846	176,950	101,722	36,425	887,487
1999	397,463	160,312	34,150	220,126	131,952	38,775	982,779
2000	409,137	156,599	36,563	236,547	140,345	40,409	1,019,599
2001	418,400	155,859	32,678	251,613	132,269	40,147	1,030,965
2002	434,818	161,507	29,347	270,641	138,210	41,873	1,076,395
2003	446,891	166,744	32,856	281,947	141,328	41,490	1,111,256
<b>Total</b>	<b>\$4,188,169</b>	<b>\$1,451,427</b>	<b>\$735,995</b>	<b>\$2,123,801</b>	<b>\$1,235,657</b>	<b>\$423,627</b>	<b>\$10,158,676</b>

1/ Details may not add to the total due to individual rounding.

# Arizona Highway User Revenue Fund

## Revenue Distributions

(Dollars In Thousands)

### FY 1993-2003

FISCAL YEAR	ARIZONA HIGHWAY FUND	MAG CONTROLLED ACCESS	PAG CONTROLLED ACCESS	CITIES AND TOWNS	COUNTIES	ECONOMIC			TOTAL / 7
						DEPT. OF PUBLIC SAFETY / 1	STRENGTH PROJECT FUND / 2	OTHER MISCELLANEOUS APPROPRIATIONS	
1993	\$302,176	\$39,846	\$13,282	\$210,531	\$124,468	\$24,928	\$1,000	\$1,212 / 3	\$717,443
1994	328,151	43,270	14,423	228,606	135,157	24,925	1,000	532 / 3	776,063
1995	339,752	44,890	14,963	237,920	140,627	20,000	1,000	1,000 / 4	800,152
1996	365,016	48,607	16,202	256,988	151,762	20,000	1,000		859,575
1997	376,193	50,573	16,858	267,931	166,908	17,500	1,000		896,962
1998	373,206	50,171	16,724	265,803	165,583	15,000	1,000		887,487
1999	413,371	55,571	18,524	294,410	183,403	12,500	1,000	4,000 / 5	982,779
2000	430,668	57,896	19,299	306,729	191,077	12,500	1,000	430 / 6	1,019,599
2001	433,248	58,243	19,415	308,567	192,222	12,500	1,000	5,770 / 6	1,030,965
2002	438,230	58,913	19,638	312,115	194,433	52,066	1,000		1,076,395
2003	451,827	60,741	20,247	321,799	200,465	54,528	1,000	648/7	1,111,256
<b>Total</b>	<b>\$4,251,838</b>	<b>\$568,721</b>	<b>\$189,574</b>	<b>\$3,011,399</b>	<b>\$1,846,105</b>	<b>\$266,447</b>	<b>\$11,000</b>	<b>\$12,944</b>	<b>\$10,158,675</b>

Notes:

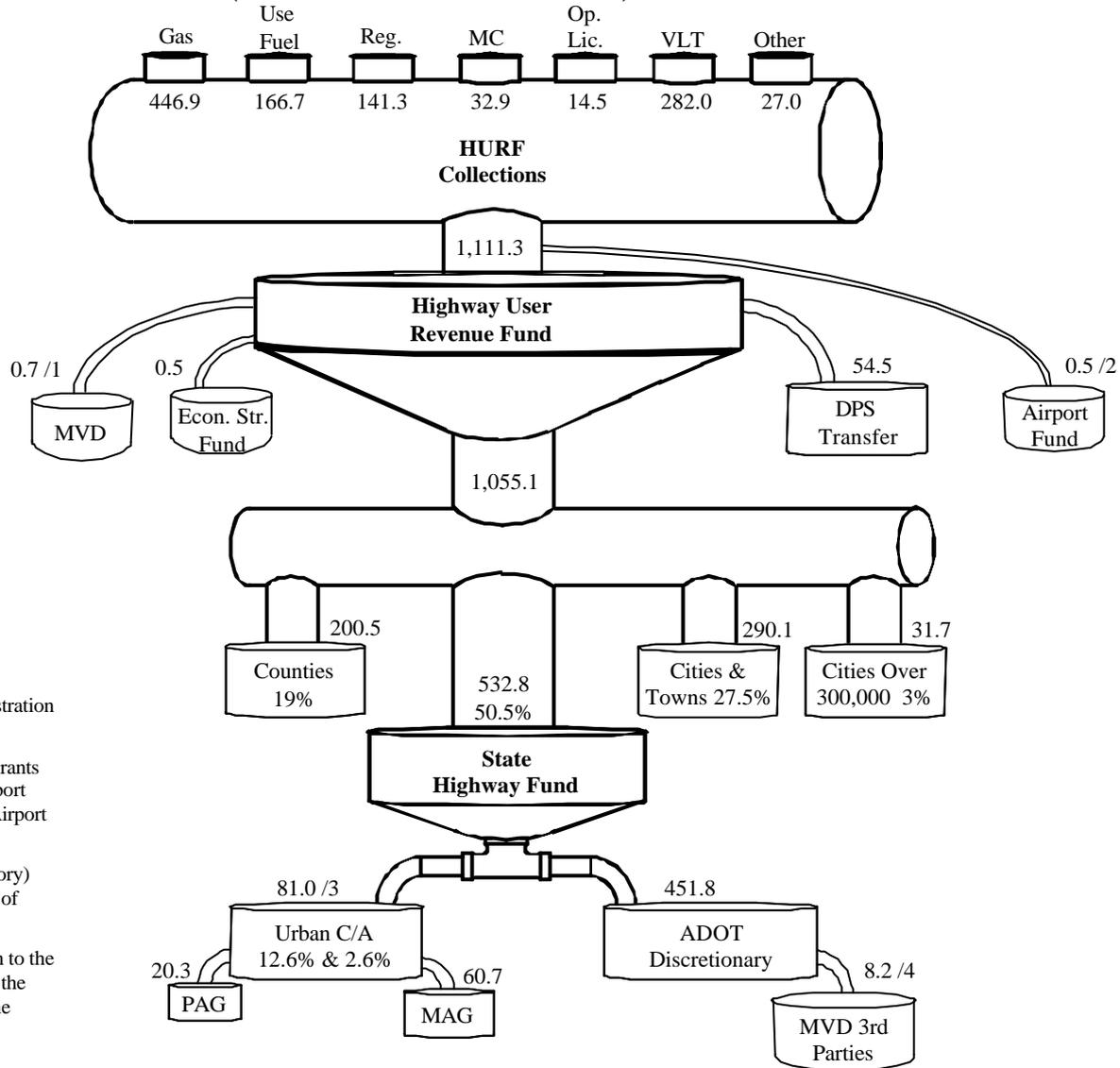
- 1/ In recent fiscal years, the legislature has authorized the distribution of Arizona Highway User Revenue to the Arizona Department of Public Safety for highway patrol expenditures.
- 2/ The Economic Strength Project Fund was statutorily established on May 17, 1989. Money in the fund is to be used for highway projects that provide economic benefits to the State or local jurisdictions.
- 3/ Appropriation to the Motor Vehicle Division for funding of mandatory insurance enforcement administration.
- 4/ Appropriation to the Motor Vehicle Division for improvements to border area ports of entry.
- 5/ Appropriation to the Department of Commerce for Williams Gateway Authority roadway projects.
- 6/ Appropriation for the Prescott Regional Transportation Center.
- 7/ Appropriation to MVD for the vehicle registration enforcement program
- 8/ Details may not add to the total due to individual rounding.



# Highway User Revenue Fund Distribution Overview

<p><b>Revenues from:</b></p> <p><b>\$.18 Gas Tax</b>  <b>\$.26 Use Fuel Tax (7/00)</b>  <b>Vehicle Registration</b>  <b>Motor Carrier Fee</b>  <b>44.99% of VLT (12/00)</b>  <b>Other</b>  <b>.</b></p>	<p><b>Distribution breakdown:</b></p> <p><b>50.5% to State Highway Fund</b></p> <p><b>27.5% to Cities &amp; Towns</b></p> <p><b>3% to Cities over 300,000</b></p> <p><b>19% to Counties</b></p>	<p><b>Distribution formulas:</b></p> <p><b>7.67% to Maricopa and Pima Counties for Controlled Access with a 75% and 25% split respectively. (Statutory 12.6% &amp; Special 2.6% money)</b>  <b>4 2.83% to ADOT Discretionary.</b></p> <p><b>One half distributed on basis of incorporated population and one half on the basis of county origin of gasoline sales and city or town population within each county.</b></p> <p><b>Distributed to Phoenix, Tucson and Mesa based on population.</b></p> <p><b>Distributed based on a portion of gasoline distribution and diesel fuel consumption and on a portion of unincorporated population. The split is as follows: 85/15 in FY 1997, 80/20 in FY 1998, 76/24 in FY 1999, and 72/28 in FY 2000 and thereafter)</b></p>
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# ARIZONA DEPARTMENT OF TRANSPORTATION FY 2003 HURF ACTUAL REVENUE DISTRIBUTION FLOW (Dollars in Millions)



**NOTES:**

/1. Appropriation to MVD for vehicle registration enforcement program.

/2. Appropriation to Airport Fund to provide grants for certain small community air service and airport upgrades (VLT monies were redirected to the Airport Fund instead of HURF).

/3. The 12.6% (statutory) and 2.6% (non-statutory) allocations from the State Highway Fund share of HURF distributions.

/4. With the elimination of the VLT distribution to the state highway fund, a distribution is made from the state highway fund to MVD Third Parties for the collection of VLT.

# REVENUE CATEGORY DEFINITIONS

- GASOLINE TAX** A per-gallon tax imposed on gasoline used by vehicles on Arizona highways; presently this tax is \$0.18 per gallon.
- USE FUEL TAX** Includes all gases and liquids used to propel motor vehicles on the highways in this state except for motor fuel (gasoline). Use fuel consists primarily of diesel fuel. Diesel fuel tax was \$0.27 per gallon, but dropped to \$0.26 per gallon on July 1, 2000 for “use class” vehicles. “Non-use class” vehicles continue to pay \$0.18 per gallon. Jet fuel is exempt from fuel and use fuel taxes.
- MOTOR CARRIER FEE** A fee imposed on certain commercial carriers based on vehicle weight. Category also includes: Motor Carrier License Tax, Motor Carrier Tax Penalties, late fees and interest, and Motor Carrier Permits Tax, and application fees.
- VEHICLE LICENSE TAX** An annual license tax imposed on registered vehicles in lieu of property taxes.
- REGISTRATION FEES** Is made up of three distinct components:
- County Registration** - non-commercial and commercial vehicle registration, and commercial weight fees.
  - Apportioned Registration** - commercial registration fees allocated according to miles traveled in Arizona.
  - Miscellaneous Registration** - Non-resident Permits, Unassigned Registration, Prorate Stickers, and Registration Penalties.
- OTHER FEES** Includes Title Fees, Operator Licenses, Oversize/Overweight Permits and Highway Fines, Inquiry Fees, Use Fuel Permits and Fuel Tax Penalties, Investment Interest, Special Plates, and Other Miscellaneous Fees, less Credit Card Fees.